

EXHIBITS 30 TO 37

EXHIBIT 30

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Copyright 2002 Guardian Newspapers Limited
The Guardian (London)

February 23, 2002

SECTION: Guardian Foreign Pages, Pg. 15**LENGTH:** 609 words**HEADLINE:** Terrorist material found in Sarajevo charity raid**BYLINE:** David Pallister**BODY:**

Nato peacekeepers in Bosnia have discovered a cache of Islamic terrorist-related material at the offices of one of Saudi Arabia's leading aid agencies with links to the royal family, it emerged yesterday.

The raid on the Sarajevo offices of the Saudi High Commission for Aid to Bosnia took place last September, but officials have not revealed what was found until now.

The new evidence will be hugely embarrassing to the Saudi royal family, which has consistently shrugged off reports that Saudi-backed charities have been used as a front for al-Qaida operatives.

A few weeks after the raid six men, including an administrator at the commission, were arrested by the Bosnian authorities for suspected links to al-Qaida. They were believed to be plotting to blow up the US embassy in Sarajevo.

In January, after being released by a federal court for lack of evidence, the six men – five Algerians and a Yemeni – were handed over to US officials and transferred to Kandahar. They were then flown to the US terrorist holding centre, Camp X-Ray, in Guantanamo Bay, Cuba.

The raid netted computer files on the use of crop duster aircraft, instructions on how to fake US state department identification badges, and photographs and maps of Washington marking government buildings. About pounds 70,000 worth of local currency was found in a safe, as well as anti-Semitic and anti-US computer material for children.

A spokesman for S-For, Nato's stabilisation force in Sarajevo, yesterday confirmed to the Guardian that the files and safe were seized, but declined to give details. He said they were now in the hands of the Bosnian government.

The Saudi aid initiative to Bosnia was founded in 1993 by Prince Salman, the governor of Riyadh province, and supported by King Fahd. Hailed as the largest fundraising effort in the Arab and Muslim world, it has delivered more than Dollars 600m (pounds 375m) in aid for mosques, cultural centres, schools and orphanages.

Since September 11, Saudi-funded charities in half a dozen countries have been linked to al-Qaida. Mercy International Relief Agency, registered as a company in Dublin in 1992 by six Saudi dissident academics, was used by the cell which bombed the US embassy in Kenya in 1998.

Nato suspicions about the presence of an al-Qaida cell in Bosnia were triggered when US intelligence discovered that one of the six men arrested, Bensayah Belkacem, had been making telephone calls to Bin Laden's operations chief in Afghanistan, Abu Zubayah. Numerous blank western passports were found at Belkacem's house in the central town of Zenica.

Among those arrested was Sabar Lamar, an administrator at the commission's Dollars 9m complex, which includes a mosque that can accommodate 5,000 people. The others all worked for Muslim charities.

After their extradition, Fahd Al-Zakari, the high commission's director, told the Associated Press: "Nobody here supports terrorism."

The Guardian (London) February 23, 2002

Although the Saudi aid effort in Bosnia has been generous, it has been widely criticised by aid agencies and Bosnian intellectuals for importing the extreme form of Saudi Islam, Wahhabism, which is alien to the more moderate secular form found in Bosnia.

* An Italian court yesterday convicted a Tunisian suspected of heading Osama bin Laden's European logistics operations, handing down the first guilty verdict in Europe related to al-Qaida since September 11. Essid Sami Ben Khemais, known as "the Sabre", was convicted of charges including criminal association with the intent to obtain and transport arms, explosives and chemicals, and was sentenced to five years in prison.

LOAD-DATE: February 24, 2002

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EXHIBIT 31

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Copyright 2002 News World Communications, Inc.
The Washington Times

February 25, 2002, Monday, Final Edition

SECTION: WORLD; Pg. A15

LENGTH: 501 words

HEADLINE: U.S. eyes Saudi file on terror targets

BYLINE: By Jerry Seper, THE WASHINGTON TIMES

BODY:

U.S. intelligence officials are reviewing a cache of computer files seized last year by NATO troops from a Saudi aid organization in Sarajevo, including photographs of past terrorist targets and a Washington street map pinpointing government buildings.

The inquiry, according to law enforcement authorities and others, began after a raid on the Sarajevo offices of the Saudi High Commission for Aid to Bosnia-Herzegovina.

The raid followed the October arrests of six Algerian-born men who worked for the Saudi organization.

All six, suspected members of an Algerian terrorist organization known by the acronym GIA, were handed over last month to U.S. authorities in connection with an ongoing investigation of post-September 11 attacks planned against U.S. and other Western targets.

The discovery of the computer files and other information, including a computer program explaining how to use crop duster aircraft to spread pesticide, and materials used to make fake U.S. State Department identification badges and credit cards, was first reported by the Associated Press.

U.S. intelligence officials confirmed that some of the photos found were of the World Trade Center, the Pentagon, the USS Cole and the U.S. embassies in Kenya and Tanzania. They said the photos showed the sites both before and after terrorist attacks.

The Saudi agency, founded by Prince Selman bin Abdul-Aziz to help children orphaned during Bosnia's 1992-95 war, is under investigation by Western authorities, who are attempting to trace more than \$41 million in missing operating funds. Officials at the agency have denied any wrongdoing.

One of the six men arrested was identified as Sabir Lamar, the son-in-law of a local employee of the U.S. Embassy in Sarajevo. The embassy employee is believed to have had keys to the building, in which photographs and other information would have been available, intelligence officials said.

Mr. Lamar and the others, including Bensayah Belkacem, Mustafa Adir, Muhamed Nehle, Lakdar Bumedi and Budelah Hadz, are being held at the U.S. military prison at Guantanamo Bay, Cuba.

Mr. Belkacem has been identified as a top lieutenant to fugitive terrorist Osama bin Laden. He was arrested in the Bosnian city of Zenica, where authorities found phony passports and a mobile telephone listing for another top bin Laden aide, Abu Zubeida.

U.S. intelligence officials said Mr. Zubeida was considered one of bin Laden's top three advisers and appeared with bin Laden on a videotape shown after the September 11 attacks on America.

The six Algerian men were turned over to U.S. authorities on Jan. 17 after the Supreme Court of Bosnia's Muslim-Croat Federation ruled there was insufficient evidence to hold them in Bosnia. The court said the men had been detained on suspicion of involvement in terrorist activities, accused of operating with bin Laden's al Qaeda terrorist network and plotting attacks against U.S. and British facilities in Bosnia.

The Washington Times February 25, 2002, Monday, Final Edition

LOAD-DATE: May 15, 2002

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Number of Pages: 2

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February 26, 2002

LENGTH: 285 words

HEADLINE: AID AGENCIES IN BOSNIA INVESTIGATED OVER LINKS WITH INTERNATIONAL TERRORISM

BODY:

Text of report by Bosnia-Herzegovina Federation news agency FENA

Banja Luka, 26 February: For several months now, the Ministry of Internal Affairs MUP of the Bosnia-Herzegovina Federation has been checking up on the humanitarian and nongovernmental organizations in Bosnia-Herzegovina, including the Saudi High Commission, which are suspected of having links with international terrorism, the Bosnia-Herzegovina anti-terrorism coordination team has confirmed.

Apart from the Saudi High Commission, the following organizations are also suspected of illegal activities which are not within the competencies of humanitarian organizations: Global Relief Foundation and Taibah International, the Serb Republic media reported.

These organizations are from Afro-Asian countries and registered in the Bosnia-Herzegovina Federation. An investigation has revealed they were engaged in activities for which they had not been registered and which cannot be classified as humanitarian work.

The Bosnia-Herzegovina anti-terrorism coordination team has information that the above humanitarian organizations had at their disposal vehicles with diplomatic registration plates which allowed them considerable freedom of movement.

Twenty-four vehicles with diplomatic plates were discovered in the Saudi High Commission. Such plates were also found in possession of other humanitarian organizations from Islamic countries with a HQ in Bosnia-Herzegovina.

The coordination team wonders what the purpose of these plates is and how they ended up at the Saudi High Commission in the first place, the Serb Republic media reported.

Source: Federation news agency, Sarajevo, in Serbo-Croat 1119 gmt 26 Feb 02

JOURNAL-CODE: WBMS

LOAD-DATE: February 26, 2002

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Time of Request: May 31, 2005 02:47 PM EDT

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EXHIBIT 33

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Copyright 2002 Globe Newspaper Company
The Boston Globe

July 2, 2002, Tuesday ,THIRD EDITION

SECTION: NATIONAL/FOREIGN; Pg. A1

LENGTH: 1400 words

HEADLINE: BOSNIAN CHARITIES TIED TO TERROR

BYLINE: By Brian Whitmore, Globe Correspondent

BODY:

SARAJEVO, Bosnia and Herzegovina – During the past decade, hundreds of Islamic charities set up shop in war-ravaged Bosnia to rebuild homes, renovate schools, and feed, clothe, and shelter orphans and impoverished widows.

But for some of them, law enforcement officials say, the generosity disguised a nefarious agenda: to help Al Qaeda prepare for a holy war against the United States and its allies.

Emerging details about the activities of Islamic charities in Bosnia illustrate the challenges the United States faces in shutting down Al Qaeda's global fund-raising and money-laundering network.

The issue also illuminates a time bomb left over from Bosnia's 1992-95 war. As the West scrambled to save the country's Muslims from "ethnic cleansing," militant Islamic fundamentalists from the Middle East were using the chaos to establish a foothold in this Balkan nation, the officials said.

"They wanted to use Bosnia as a logistical base . . . and tried to radicalize the Muslim population," said Zlatko Miletic, a member of Bosnia's Anti-Terrorism Task Force.

The effort largely failed because the vast majority of Bosnia's Muslims are either secular or practice a tolerant form of Islam that abhors terrorism and fundamentalism.

But even after the 1995 US-sponsored Dayton Peace Accords ended the war and provided NATO-led observers, Islamic militants continued to operate in the region, often using charitable organizations as a cover.

"We detected a pattern here . . . for terrorist cells and those who aid and harbor them to operate behind the shield of legitimate humanitarian . . . organizations," Lieutenant General John Sylvester, commander of the NATO-led force in the region, said in a speech recently. "They were preaching good, and sometimes doing good, while plotting evil."

Bosnia launches probes into eight charities

Since Sept. 11, US and Bosnian officials have stepped up efforts against them.

The April 30 arrest in the United States of Enaam Arnaout, director of Benevolence International Foundation, which is based in Illinois and has offices in Bosnia and nine other countries, made international headlines and shined a spotlight on Islamic charities.

An FBI affidavit says the Syrian-born Arnaout, a naturalized US citizen who holds a Bosnian passport, is suspected of using the foundation to funnel cash, move people, and provide logistical support for Al Qaeda. He is also accused of links to Osama bin Laden and senior Al Qaeda lieutenants.

During visits to Bosnia since 2000, law enforcement officials say, Arnaout withdrew a total of \$500,000 from the foundation's bank account. There are no records of how the money was spent.

"There is a huge chance . . . that money was used for terrorist operations," said Dragan Lukac, Bosnia's police commissioner.

The Boston Globe, July 2, 2002

Arnaout has been charged only with perjury. When US authorities froze the foundation's assets late last year, Arnaout sued and swore under oath that the charity had no ties to terrorism. He is being held without bond in Illinois.

Arnaout's case, officials say, is just part of a larger probe into a global web of charities.

A classified Bosnian intelligence report made available to the Globe identifies five Islamic charities suspected of laundering money, moving operatives, and providing logistical support for Al Qaeda and other terrorist groups. Bosnian authorities say they are investigating eight charities in all.

The 10-page report also alleges that executives in some charities had links to Al Qaeda, set up paramilitary training centers in Bosnia, and assisted terror suspects with cash and travel documents.

Bosnia's current government, elected in 2000, has pledged its full support in the war on terrorism and is probing the extent to which officials may have assisted the charities in illegal activities.

In October, Bosnian authorities arrested six Algerian nationals with alleged Al Qaeda ties who were suspected of plotting attacks against the US Embassy in Sarajevo. In January, they were turned over to the United States and transferred to Guantanamo Bay, Cuba. Five worked for Islamic charities.

The issue is politically explosive. Some 44 percent of Bosnia's 3.7 million inhabitants are Muslims, and the charities have poured millions of dollars into this impoverished nation. Cracking down on those seen as helping widows and orphans, while such war crimes suspects as Radovan Karadic and Ratko Mladic are at large, has touched a raw nerve.

Arms, bin Laden letters reportedly found in raid

The Arnaout case is the most dramatic. In March, Bosnian police raided the foundation's offices in Sarajevo and the central Bosnian city of Zenica. They said they found weapons, explosives, military manuals, a forged passport, photographs of Arnaout with bin Laden, correspondence between the two men, and a chart of Al Qaeda's command structure.

They also discovered nearly 100 top-secret documents about suspected terrorists operating in Bosnia, which were provided by Munib Zahiragic, a former official with Bosnia's security services and Foreign Ministry.

Thousands of Arab mercenaries came to fight against Serb and Croat militias during Bosnia's war. Afterward, hundreds remained in the country. As a member of Bosnia's security services, Zahiragic was responsible for monitoring the fighters. But law enforcement officials now say he was clandestinely helping them.

"This had huge consequences," said Miletic, of the antiterrorism task force. "It compromised sources, both foreign and local, who provided this information. It also left the law enforcement blinded."

Zahiragic worked for AID, Bosnia's security service, before the war and from 1996 to 2000. In 1994-95, he worked in Bosnia's Embassy in Kuwait. In 2000, he became the Benevolence International Foundation's Sarajevo director. In March, he was arrested and charged with espionage.

"We are still trying to establish whether Zahiragic was acting on his own or following orders," Miletic said.

The foundation also helped set up paramilitary Islamic training camps in Bosnia during the war, according to the intelligence report. Militants from Afghanistan and Pakistan staffed the camps, "tasked with transferring military experience from those countries," it said.

In May 1998, two months before bombings at two US Embassies in Africa killed 224 people, the foundation sponsored a Bosnian visa for Al Qaeda's cofounder, Mamdouh Mahmud Salim. Arnaout rented Salim an apartment and identified him as one of the foundation's directors. Salim was arrested after the embassy bombings and awaits trial in New York on terrorism and conspiracy charges.

Through his lawyers, Arnaout repeatedly has denied all the allegations. Alen Cosic, deputy director of the foundation's office in Zenica, said the organization's missing money was used for housing construction, and contended that the FBI fabricated evidence against Arnaout.

Several other charities are under investigation as well. In October, US forces raided the offices of the Saudi High Commission for Relief of Bosnia and Herzegovina. The charity's computer hard drives contained information about crop dusters, pesticides, and maps of major US and European cities and military installations.

The Boston Globe, July 2, 2002

A raid by Bosnia police on the Al Hamein Islamic Foundation in March found that the organization had destroyed all of its financial records for 1994 through 1998. Bank records show that \$1.59 million was withdrawn from the charity's bank account from 1999 to 2001.

"We believe that the clear lack of any concrete humanitarian projects indicates that the existence of this organization was a fictitious cover for probable links with terrorism," the Bosnian intelligence report said.

The report alleges that Muhamed Krimi, the director of another charity, the Saudi Arabian-sponsored Al Hamein Al Masjed Al Aqsa Charity Foundation, made contact in July 1999 with Abdul Salem Al Heilahi, a Yemeni security official who is allegedly tied to bin Laden. The charity, according to the intelligence report, cannot adequately account for how it spent \$3.5 million in 1999.

"No one has any idea where the money went," said Ivica Misic, Bosnia's deputy foreign minister and head of the Anti-Terrorism Task Force. "We suspect some of it could have been used for terrorist operations. The investigation is going on and we expect results."

GRAPHIC: PHOTO, Six Algerians, in car guarded by Bosnian police in January, are accused of having Al Qaeda ties. They allegedly plotted attacks against a US embassy. Five worked for Islamic charities. / AP PHOTO

LOAD-DATE: July 2, 2002

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Time of Request: May 31, 2005 02:44 PM EDT

Print Number: 1862:46680992

Number of Lines: 94

Number of Pages: 3

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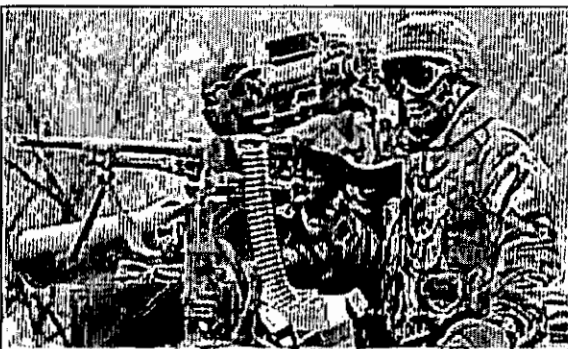
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Monday, 3 April, 2000, 20:08 GMT 21:08 UK

US fears terrorist attack in Kosovo



K-For has stepped up security measures in Kosovo

By Nick Wood in Kosovo

US officials have come under criticism over a raid by K-For military police on an Islamic relief organisation in Kosovo last weekend.

The police, who were acting on a tip-off from US officials, raided a house rented by the Saudi Joint Relief Committee (SJRC).

The operation followed fears of a possible terrorist attack on the US office in the province.

US security officials say they believe members of the SJRC are linked with Osama bin Laden, the man suspected of being behind the attacks on the US embassies in Kenya and Tanzania.

In a separate incident British soldiers blew up a suspect car belonging to an employee of the charity.

The owner had stuck an SJRC sticker to his windscreen.

Neither incident revealed any evidence that could link the group with any terrorist activity.

Suspicious photos

K-For officials say the operations were part of increased security measures introduced after two members of the group were supposedly seen taking photos near the US office and K-For headquarters in Pristina.

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New vehicle checkpoints have been introduced in the area, and visitors to both compounds are obliged to enter on foot.

It is not the first time the US officials here have raised concern about the charity.



Osama bin Laden: Allegedly linked to the charity

Before Christmas a warning was given of a possible threat to US citizens in Kosovo.

Secret document

In a document seen by the BBC in Pristina, US officials called on the UN police force in the province to undertake open surveillance of the group.

Marked "Secret: US office only - Release to UNMIK" the report names two former members of the charity.

It claims Adel Muhammad Sadiq Bin Kazem, and Wa'el Hamza Jalaidan, the Committee's former Director, are "associates of Osama bin Laden" and that Mr Jalaidan helped Mr bin Laden "move money and men to and from the Balkans".

The claims are being strongly denied by the group.

A spokesman for the group says they were "stunned" by the raids, and are awaiting an explanation from K-For.

They have also offered to open up all their files for K-For or police officials to look at.

Bad publicity

The Relief Committee works as an umbrella body for several Saudi NGO's including the Saudi Red Crescent, and has a multi million-dollar budget partly financed by the Saudi government.

It works with the UNHCR and the World Food Programme, and has worked with K-For

66

Some K-For and UN officials say the US is concerned with avoiding American


on the rebuilding of several schools in the province.

casualties in the run-up to the presidential elections

The group's Assistant Director, Faisal Alshami, said he was disappointed at what he saw was an attempt to paint his organisation in a bad light. 99

"We have spent a lot of money here, trying to help people, we really hope this is not an attempt to curtail our work" he said.

Privately some K-For and UN police officials say the US is highly concerned about "force protection", or avoiding US casualties, in the run-up to presidential elections later this autumn, and is reacting to even the slightest threats.

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EXHIBIT 35

Partisan Review

PR 3 / 2000 VOLUME LXVII NUMBER 3

Articles

Islamic Fundamentalism in the Balkans

Stephen Schwartz

The Jewish woman stood in the office of Bosnian president Alija Izetbegovic. She was distraught. She placed a handful of broken tiles on the desk in front of her and told the president's adviser, "It's a crime, a crime against culture. They are destroying a holy place, a place that is of incalculable value to Sarajevo."

"There's nothing we can do," the adviser replied sorrowfully. "They have the money and they are going to do what they want."

The most interesting aspect of this incident, which took place after the end of the Bosnian war in 1995, is that the temple the Jewish woman, an art expert named Zoja Finci, was attempting to protect was neither, as one might expect, a synagogue, nor a Serbian church. Rather, it was the Begova or Governor's mosque, the largest in the former Yugoslavia, and the main Islamic structure in Sarajevo.

Further, the presumptive vandals against whom Zoja Finci sought to protect the mosque were neither Serb extremists nor commercial developers. They were, in fact, just the sort of people one might have thought would target a synagogue or a Serb structure: Islamic officials backed by Saudi Arabia, engaged in a purported reconstruction.

The official Supreme Saudi Aid Committee occupies one of the largest governmental buildings in the Bosnian capital. The committee has paid for the rehabilitation of numerous mosques damaged during the 1992-95 war. But the aid is not always appreciated by ordinary Muslims, who, no less than art experts, have ways of expressing their resentments.

At the Alipasha mosque in Sarajevo, a lovely Ottoman structure with a slender, graceful minaret, only meters away from the committee's headquarters, the word "Saudi" has been scratched off the commemorative plaque announcing a donation for its restoration.

The problem is that the Saudis and their local agents are Wahhabis, followers of the main fundamentalist sect in the Islamic world. Wahhabis do not approve of Ottoman mosques. Their rehabilitation of the Imperial mosque, also in Sarajevo, turned what had been a beautiful, balanced complex of buildings, which seemed to invite entry, into something not much different from a parking garage in a Western city.

In October 1999, the Bosnian weekly *Dani* [Days] published an extremely

revealing interview with Kemal Zukic, director of the Center for Islamic Architecture in Sarajevo. The interviewer asked Zukic about the wall decorations in the Begova mosque—precisely the panels, the removal of which caused so much anguish to Zoja Finci. He answered, "There were several layers of paintings, so that in the end we were in a quandary about which layer merited preservation. . . . The biggest contribution came from a Saudi donor. . . . Parts remain but most of the walls are now blank."

Pressed as to whether the panels that were removed would be preserved, Zukic answered testily, "I find it really hard to get excited over decorations inside the mosque. We are not in a situation like the more fortunate European nations, such that we could preserve our cultural heritage. . . . That was only an internal decoration and it was not intended to last forever."

Zukic is a graduate in architecture from the University of Sarajevo who has never practiced that profession, but who has produced elaborate plans for new Bosnian mosques. According to one foreign expert who requested anonymity after an interview with Zukic, "His ideas for mosque design involve knockoffs of Saudi-modern shopping mall architecture with odd touches inspired by the décor of the Love Boat, including portholes! He is the very model of the modern zealot, narrow-minded, arrogant, and so dumb he doesn't even realize it."

But at least the Begova mosque's outer walls remained. Elsewhere in Bosnia-Herzegovina, the fundamentalists, away from urban critics, pursue a more aggressive tactic. *Dani* reported that Muslims in the rural town of Vrbovik were angry because they had understood funds had been donated for the reconstruction of their traditional, Ottoman mosque, which was on the front line and was destroyed in the 1992-95 war. But that money was diverted elsewhere, while two new mosques and six smaller prayer structures were erected in the Saudi style. The local Islamic cleric, Hadji Salih Avdukovic, commented angrily, "These people are hypocrites. They want to do everything from scratch."

Dani is a sensationalist organ, but in this instance its reportage was on the mark. Thanks to the seemingly inexhaustible financial resources of Saudi Arabia and the Gulf states, Wahhabis have appeared all over Bosnia-Herzegovina and Kosovo since the bloodshed ended. According to a September 9, 1999 news release by the Saudi Joint Relief Committee for Kosovo, out of four million Saudi riyals spent by the committee on the ground in Kosovo, nearly half was spent to sponsor 388 religious "propagators" (i.e., missionaries), with the intent of converting Kosovars to Wahhabi fundamentalism.

Another six hundred thousand riyals went for the reconstruction of thirty-seven mosques, and two hundred thousand riyals was spent on two schools. The amount of money involved was fairly modest (four million riyals is a little more than a million U.S. dollars), except when one considers that the Saudis had only been on the scene in Kosovo for a little over two months at that point. It was characteristic that a greater proportion of Saudi aid was spent on fundamentalist "propagators" and on mosque building than on broader humanitarian needs.

Mosque architecture is not the Wahhabis' only interest. Walking the streets

of Sarajevo, one might think they have gained considerable influence. Many young men wear "Islamic" beards, and numerous young women have adopted head and shoulder coverings, or *hijab*. The campus of the University of Sarajevo is especially notable for this habit, and a women's store with the amusing name "Hijab Boutique" opened near the old Ottoman market.

As the defaced plaque at the Alipasha mosque demonstrates, the fundamentalists are definitely unpopular with Balkan Muslims. In Sarajevo, *hijab* may be more a fad than anything else—and it certainly has not caught on in Kosovo, although many women wear Balkan head scarves.

There are other things that Balkan Muslims favor, but which Wahhabis disapprove. One is veneration of the dead. In Saudi Arabia itself, fundamentalists have, over the past two hundred years, destroyed all the tombs of the companions of the prophet Mohammed. In Kosovo, the Saudis offered to rebuild several mosques in the area of Vushtrri/Vucitrn, which were destroyed during the 1998-99 fighting. They promised the new mosques would be "better and more Islamic." But first, they said, the Albanian Muslims would have to uproot the Ottoman graveyards nearby.

Andras Riedlmayer, a Harvard University librarian and expert in this field, recalls an incident that took place in the Kosovar town of Peja/Pec.

I was told about an incident in 1998, when, as the villages in the surrounding Kosovo countryside were in flames, a group of Wahhabi missionaries—both Arabs and their Kosovar acolytes—came to town and tried to impose their own way of praying (the locals said it involved some "odd" body movements).

When the Wahhabis took out sledgehammers and set about smashing the 17th century gravestones in the garden of Peja's ancient Defterdar Mosque, angry local residents beat them up and chased them out of town. I was shown the damaged gravestones, beautifully carved with floral motifs and verses from Qur'an. That was in the late summer of 1998. Six months later, in the spring of 1999, Serb paramilitaries came and burned down the mosque. Unlike the fundamentalist missionaries, they were not interested in the gravestones.

This sort of hard-shell outlook can scarcely appeal to the nationalistic Albanians, who, like their Serb adversaries, consider their graves to be proof of their claim on Kosovo. But fundamentalist proscriptions go on and on. They do not like music, except for the drum. They do not accept Sufism, or mysticism, as a part of Islam. Both of these strictures run counter to Balkan Muslim traditions.

Balkan Muslims are especially devoted to a practice that drives Wahhabis to fury: *mawlid*, or, as it is locally called, *mevlud*, the commemoration of Mohammed's birth. To the fundamentalists, celebrating the prophet's birthday smacks of the Christian-style worship of Jesus. Abdussalam Chouia, a leading spokesman for the so-called Council on American-Islamic Relations (CAIR), a body which has spent considerable time harassing the American media over the very use of such terms as "Islamic fundamentalist,"

professed not even to know what *mevlud* is. "It isn't part of Islam," he insisted.

CAIR members are, to put it delicately, masters at twisting words. The very idea of an organization concerned with "American-Islamic relations," as if all Americans agreed on Islamic issues, as if Muslim citizens of the U.S. were not Americans, and as if the Islamic world were united in a supposed confrontation with America, is absurdly presumptuous. But CAIR has succeeded in intimidating numerous American newspaper editors into a form of political correctness that involves coddling Palestinian and other extremists under the pretext that "American bigotry" threatens Muslims.

In Bosnia-Herzegovina, many Islamic officials dislike fundamentalist activities but are reluctant to denounce them. The Bosnians are avid for the money. Only a few local Sufis have strongly criticized Wahhabi missionizing, arguing that the long presence of Sufi spiritualism in the Balkans is incompatible with fundamentalist fanaticism. In the end, Balkan Muslims are desperate to be viewed as European, and submission to the will of the Wahhabis will certainly do nothing to advance that agenda.

Kosovo Albanian Muslims have been more forthright in airing their irritabilities on this issue. After all, they do not need the money. The Kosovars have a large emigration that supports their various reconstructive activities, and, in addition, the Kosovo Albanians are far more enterprising than the Bosnians. This is also an incentive for the Kosovars to express greater independence from those in the international community who seek to use a kind of "aid blackmail" to get the Albanians to do what they want. For example, Albanians are inclined to rebuild their homes themselves, rather than, as is the Bosnian habit, wait for the UN or Europe or the U.S. to do it for them.

In one of the more surprising recent developments in Kosovo, the fundamentalists came under verbal fire from the Kosovapress news agency, universally considered to be the media arm of the Kosovo Liberation Army. Kosova press declared:

For more than a century civilized countries have separated religion from the state. [However], we now see attempts not only in Kosovo but everywhere Albanians live to introduce religion into public schools. . . .Supplemental courses for children have been set up by foreign Islamic organizations who hide behind assistance programs. Some radio stations. . .now offer nightly broadcasts in Arabic, which nobody understands and which lead many to ask, are we in an Arab country? It is time for Albanian mosques to be separated from Arab connections and for Islam to be developed on the basis of Albanian culture and customs.

Dr. Rexhep Boja, president of the mainstream Islamic Community of Kosovo, expressed himself similarly, stating boldly that Albanian Muslims had followed their faith for more than five hundred years and did not need anybody to teach them how to be Muslims or how to decorate their mosques.

Nevertheless, the Wahhabis are making much greater inroads in Kosovo than

in Bosnia-Herzegovina—notwithstanding Albanian tetchiness and the fashion addiction of Kosovar Albanian women, which makes *hijab* a rare sight indeed. Here, too, it has to do with elemental requirements. The Bosnians lack financial resources but they do not want for books or trained imams. The Kosovar Albanians do not need money but they have a thirst for books and a shortage of clerics. Many of the latter now go to the Saudis for training.

But the locals are not the only people concerned about the infiltration of Wahhabis in the Balkans. In Albania as well as Bosnia-Herzegovina and Kosovo, anxiety over the activities of Bin Ladin supporters has led American diplomats to entrench themselves behind high, thick walls observing exceptional security measures at their embassies and other diplomatic facilities.

At the end of March, a group of Saudi "aid workers" was roused by UN police from a building in Prishtina, accused of surveilling foreign vehicles, presumably in preparation for a terrorist attack. A representative of the Saudis, one Al Hadi, complained that the telephone in the building where they resided had been tapped.

The upshot of this situation was visible in the first week of April, when Prishtina saw a spectacle unheard of in Sarajevo. A massive fundamentalist "cultural program" was held in the local sports stadium to celebrate the beginning of the Muslim new year. Thousands of Albanian Muslims, young and old, walked away from the event happily clutching works in Albanian that professed Wahhabi fanaticism. In May, the familiar Saudi Joint Relief Committee laid the foundation of a multimillion dollar cultural, sports, and religious center in the Kosovo capital.

Is there a solution to this problem? Surely there is, but it is ignored by the foreign authorities in Kosovo. Albanians in the region include a considerable Catholic minority, with a distinguished cultural legacy, as well as thousands of followers of heterodox Islamic sects such as the Bektashis, who drink alcohol and follow a kind of Islamic Unitarianism.

In the city of Gjakova/Djakovica, for example, Bektashis and Catholics far outnumber Sunni Muslims. Both the former groups merit assistance in such matters as education, care of orphans, and the reconstruction of destroyed religious architecture. But the foreigners pay no attention to such details. They dismiss the Catholics contemptuously as too few, and know nothing of the Bektashis. Somewhere down the road, however, the consequences of such cultural obliviousness could be disastrous.

1 August 2000

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EXHIBIT 36

**The Saudi Connection:
How billions in oil money spawned a global terror network
By David E. Kaplan (U.S. News & World Report, 12/15/03)**

The CIA's Illicit Transactions Group isn't listed in any phone book. There are no entries for it on any news database or Internet site. The ITG is one of those tidy little Washington secrets, a group of unsung heroes whose job is to keep track of smugglers, terrorists, and money launderers. In late 1998, officials from the White House's National Security Council called on the ITG to help them answer a couple of questions: How much money did Osama bin Laden have, and how did he move it around? The queries had a certain urgency. A cadre of bin Laden's al Qaeda terrorists had just destroyed two of America's embassies in East Africa. The NSC was determined to find a way to break the organization's back. Working with the Illicit Transactions Group, the NSC formed a task force to look at al Qaeda's finances. For months, members scoured every piece of data the U.S. intelligence community had on al Qaeda's cash. The team soon realized that its most basic assumptions about the source of bin Laden's money--his personal fortune and businesses in Sudan--were wrong. Dead wrong. Al Qaeda, says William Wechsler, the task force director, was "a constant fundraising machine." And where did it raise most of those funds? The evidence was indisputable: Saudi Arabia.

America's longtime ally and the world's largest oil producer had somehow become, as a senior Treasury Department official put it, "the epicenter" of terrorist financing. This didn't come entirely as a surprise to intelligence specialists. But until the attacks of Sept. 11, 2001, U.S. officials did painfully little to confront the Saudis not only on financing terror but on backing fundamentalists and jihadists overseas. Over the past 25 years, the desert kingdom has been the single greatest force in spreading Islamic fundamentalism, while its huge, unregulated charities funneled hundreds of millions of dollars to jihad groups and al Qaeda cells around the world. Those findings are the result of a five-month investigation by U.S. News. The magazine's inquiry is based on a review of thousands of pages of court records, U.S. and foreign intelligence reports, and other documents. In addition, the magazine spoke at length with more than three dozen current and former counterterrorism officers, as well as government officials and outside experts in Riyadh, the Saudi capital. Among the inquiry's principal findings:

- Starting in the late 1980s--after the dual shocks of the Iranian revolution and the Soviet war in Afghanistan--Saudi Arabia's quasi-official charities became the primary source of funds for the fast-growing jihad movement. In some 20 countries, the money was used to run paramilitary training camps, purchase weapons, and recruit new members.
- The charities were part of an extraordinary \$70 billion Saudi campaign to spread their fundamentalist Wahhabi sect worldwide. The money helped lay the foundation for hundreds of radical mosques, schools, and Islamic centers that have acted as support networks for the jihad movement, officials say.
- U.S. intelligence officials knew about Saudi Arabia's role in funding terrorism by 1996, yet for years Washington did almost nothing to stop it. Examining the Saudi role in terrorism, a senior intelligence analyst says, was "virtually taboo." Even after the embassy bombings in Africa, moves by counterterrorism officials to act against the Saudis were repeatedly rebuffed by senior staff at the State Department and elsewhere who felt that other foreign policy interests outweighed fighting terrorism.
- Saudi largess encouraged U.S. officials to look the other way, some veteran intelligence officers say. Billions of dollars in contracts, grants, and salaries have gone to a broad range of former U.S. officials who had dealt with the Saudis: ambassadors, CIA station chiefs, even cabinet secretaries.
- Washington's unwillingness to confront the Saudis over terrorism was part of a broader strategic failure to sound the alarm on the rise of the global jihad movement. During the 1990s, the U.S. intelligence community issued a series of National Intelligence Estimates--which report on America's global challenges--on ballistic missile threats, migration, infectious diseases; yet the government

never issued a single NIE on the jihad movement or al Qaeda.

Propaganda. Saudi officials argue that their charities have done enormous good work overseas and that the problems stem from a few renegade offices. They say, too, that Riyadh is belatedly cracking down, much as Washington did after 9/11. "These people may have taken advantage of our charities," says Adel al-Jubeir, foreign affairs adviser to the crown prince. "We're looking into it, and we've taken steps to ensure it never happens again."

To understand why the Saudis would fund a movement that now terrorizes even their own society, some history is in order. The Kingdom of Saudi Arabia was born of a kind of marriage of convenience between the House of Saud and the strict Wahhab sect of Islam. In the 18th century, Mohammed ibn Saud, a local chieftain and the forebear of today's ruling family, allied himself with fundamentalists from the Wahhab sect. Over the next 200 years, backed by the Wahhabis, Saud and his descendants conquered much of the Arabian peninsula, including Islam's holiest sites, in Mecca and Medina. Puritanical and ascetic, the Wahhabis were given wide sway over Saudi society, enforcing a strict interpretation of certain Koranic beliefs. Their religious police ensured that subjects prayed five times a day and that women were covered head to toe. Rival religions were banned, criminals subjected to stoning, lashing, and beheading.

The Wahhabis were but one sect among a back-to-the-roots movement in Islam that had limited attraction overseas. But that began to change, first with the flood of oil money in the 1970s, which filled Saudi coffers with billions of petrodollars. Next came the Iranian revolution and the Soviet invasion of Afghanistan, in 1979. Most ominously for the Saudis, however, was a third shock that same year: the brief but bloody takeover by militants of the Grand Mosque in Mecca.

Threatened within the kingdom, and fearful that the radicals in Tehran would assert their own leadership of the Muslim world, the Saudis went on a spending spree. From 1975 through last year, the kingdom spent over \$70 billion on overseas aid, according to a study of official sources by the Center for Security Policy, a Washington think tank. More than two thirds of that amount went to "Islamic activities"--building mosques, religious schools, and Wahhabi religious centers, says the CSP's Alex Alexiev, a former CIA consultant on ethnic and religious conflict. The Saudi funding program, Alexiev says, is "the largest worldwide propaganda campaign ever mounted"--dwarfing the Soviets' propaganda efforts at the height of the Cold War. The Saudi weekly *Ain al-Yaqeen* last year reported the cost as "astronomical" and boasted of the results: some 1,500 mosques, 210 Islamic centers, 202 colleges, and nearly 2,000 schools in non-Islamic countries.

Key to this evangelical tour de force were charities closely tied to Saudi Arabia's ruling elite and top clerics. With names like the Muslim World League and its affiliate, the International Islamic Relief Organization, the funds spent billions more to spread Wahhabism. The IIRO, for example, took credit for funding 575 mosques in Indonesia alone. Accompanying the money, invariably, was a blizzard of Wahhabist literature. Wahhabist clerics led the charge, causing moderate imams to worry about growing radicalism among the faithful. Critics argue that Wahhabism's more extreme preachings--mistrust of infidels, branding of rival sects as apostates, and emphasis on violent jihad--laid the groundwork for terrorist groups around the world.

Princely giving. If the Saudis' efforts had been limited to pushing fundamentalism abroad, their work would have been cause for controversy. But some Saudi charities played a far more troubling role. U.S. officials now say that key charities became the pipelines of cash that helped transform ragtag bands of insurgents and jihadists into a sophisticated, interlocking movement with global ambitions. Many of those spreading the Wahhabist doctrine abroad, it turned out, were among the most radical believers in holy war, and they poured vast sums into the emerging al Qaeda network. Over the past decade, according to a 2002 report to the United Nations Security Council, al Qaeda and its fellow jihadists collected between \$300 million and \$500 million--most of it from Saudi charities and private donors.

The origins of al Qaeda are intimately bound up with the Saudi charities, intelligence analysts now realize. Osama bin Laden and his followers were not exactly holy warriors; they were unholy fundraisers. In Afghanistan, Riyadh and Washington together ponied up some \$3.5 billion to fund the mujahideen--the Afghan fighters who took on the Soviets. At the same time, men like bin Laden

served as fundraisers for the thousands of foreign jihadists streaming into Afghanistan. By persuading clerics across the Muslim world to hand over money from zakat, the charitable donations that are a cornerstone of Islam, they collected huge sums. They raised millions more from wealthy princes and merchants across the Middle East. Most important, they joined forces with the Saudi charities, many already moving aid to the fighters.

Afghanistan forged not only financial networks but important bonds among those who believe in violent jihad. During the Afghan war, the man who ran the Muslim World League office in Peshawar, Pakistan, was bin Laden's mentor, Abdullah Azzam. Another official there was Wael Julaidan, a Saudi fundraiser who would join bin Laden in founding al Qaeda in 1988. Documents seized in raids after 9/11 reveal just how close those ties were. One record, taken from a Saudi-backed charity in Bosnia, bears the handwritten minutes of a meeting between bin Laden and three men, scrawled beneath the letterhead of the IIRO and Muslim World League. The notes call for the opening of "league offices . . . for the Pakistanis," so that "attacks" can be made from them. A note on letterhead of the Saudi Red Crescent--Saudi Arabia's Red Cross--in Peshawar asks that "weapons" be inventoried. It is accompanied by a plea from bin Laden to Julaidan, citing "an extreme need for weapons."

After the Soviets left Afghanistan in disgrace, bin Laden moved his fledgling al Qaeda to Sudan, in 1992. By then a perfect storm of Islamic radicalism was gathering across the Muslim world. Some "Afghan Arab" veterans of Afghanistan now eyed radical change in their homelands, where secular and corrupt regimes held sway. Others set out for lands where they saw fellow Muslims oppressed, such as Kashmir and Bosnia. Saudis rich and poor responded with donations at thousands of zakat boxes in mosques, supermarkets, and schools, doling out support for besieged Muslims in Algeria, Bosnia, Kashmir, the West Bank, and Gaza. Millions poured in.

The Saudi charities opened offices in hot spots around the globe, with virtually no controls on how the money was spent, U.S. officials say. The donors funded many worthy projects, supporting orphanages and hospitals, and providing food, clothing, and medicine to refugees. But by 1994, Riyadh was starting to get complaints--from the French interior minister about Saudi funds reaching Algerian terrorists and from President Clinton about their funding of Hamas, whose suicide bombers were wreaking havoc on the Middle East peace process. More concerns surfaced in the Philippines, where an investigation of an al Qaeda plot to murder the pope and bomb a dozen U.S. airliners led to the local IIRO office. Its director was a brother-in-law of bin Laden's, Muhammad Jamal Khalifa, who was busily funneling cash to the region's top Islamic guerrilla groups, Abu Sayyaf and the Moro Islamic Liberation Front.

Who's who. It was Bosnia, though, that finally caught the sustained attention of the CIA. In the early '90s, the ethnic-cleansing policies of the Serbs drew hundreds of foreign jihadists to the region to help defend Bosnian Muslims. Saudi money poured in, too. Saudi donors sent \$150 million through Islamic aid organizations to Bosnia in 1994 alone, the U.S. Embassy in Riyadh reported. But large sums were winding up in the wrong hands. A CIA investigation found that a third of the Islamic charities in the Balkans--among them the IIRO--had "facilitated the activities of Islamic groups that engage in terrorism," including plots to kidnap or kill U.S. personnel. The groups were a who's who of Islamic terrorism: Hamas, Hezbollah, Algerian extremists, and Egypt's Al-Gama'a al-Islamiyya, whose spiritual head, Sheik Omar Abdel Rahman, later earned a life sentence for plotting to bomb the United Nations and other New York landmarks.

In a classified report in 1996, CIA officials finally pulled together what they had on Islamic charities. The results were disturbing. The agency identified over 50 Islamic charities engaged in international aid and found that, as in the Balkans, fully a third of them were tied to terrorist groups. "Islamic activists dominate the leadership of the largest charities," the report noted. "Even high-ranking members of the collecting or monitoring agencies in Saudi Arabia, Kuwait, and Pakistan--such as the Saudi High Commission--are involved in illicit activities, including support for terrorists."

As front organizations, the charities were ideal. Some provided safe houses, false identities, travel documents. Others offered arms and materiel. Nearly all dispensed sizable amounts of cash, according to the CIA, with little or no documentation. And they were, it seemed, everywhere. By the mid-1990s, the Muslim World League fielded some 30 branches worldwide, while the IIRO had offices in over 90 countries. The CIA found that the IIRO was funding "six militant training camps in Afghanistan,"

where Riyadh was backing a then obscure sect called the Taliban, whose religious practices were close to Wahhabism. The head of a Muslim World League office in Pakistan was supplying league documents and arms to militants in Afghanistan and Tajikistan. Another Saudi charity had begun funding rebels in Chechnya.

"Chatter." Although they called themselves private foundations, these were not charities in the sense that Americans understand the term. The Muslim World League and the IIRO, for example, are overseen by the grand mufti of Saudi Arabia, the kingdom's highest religious authority. They receive substantial funds from the government and members of the royal family and make use of the Islamic affairs offices of Saudi embassies abroad. The Muslim World League's current secretary general, Abdullah Al-Turki, served as the kingdom's minister of Islamic affairs for six years. "The Muslim World League, which is the mother of IIRO, is a fully government-funded organization," the IIRO's Canadian head testified in a 1999 court case. "In other words, I work for the government of Saudi Arabia."

The year of the CIA report, 1996, was also when Osama bin Laden moved back to Afghanistan, after a four-year sojourn in Sudan. Protected by the Taliban, and with money pouring in, bin Laden, finally, went operational. He opened new training camps, and sent cash to established terrorist groups and seed money to start-ups. Then he began plotting strikes against the United States, even issuing a long fatwa, or religious edict, summoning devout Muslims to wage jihad on America. The fatwa received little publicity, but bin Laden now had alarm bells ringing at the CIA. "He seemed to turn up under every terrorist rock," remembers a senior counterterrorism official. At CIA headquarters, the agency set up a "virtual station" on bin Laden, pooling resources to track his operations.

U.S. intelligence agencies, meanwhile, were picking up disturbing "chatter" out of Saudi Arabia. Electronic intercepts of conversations implicated members of the royal family in backing not only al Qaeda but also other terrorist groups, several intelligence sources confirmed to U.S. News. None were senior officials--the royal family has some 7,000 members. But several intercepts implicated some of the country's wealthiest businessmen. "It was not definitive but still very disturbing," says a senior U.S. official. "That was the year we had to admit the Saudis were a problem."

Despite the mounting evidence, the issue of Saudi complicity with terrorists was effectively swept under the diplomatic rug. Counterterrorism experts offer several reasons. For one, this was five years before the 9/11 attacks, and terrorism simply wasn't seen as the strategic threat it is today. Only a dozen or so Americans were killed each year in terrorist attacks. Moreover, in many of the jihad struggles, Washington was neutral, as in Kashmir, or even supportive, as in Bosnia. When Saudi money began financing jihadists headed to Chechnya, Washington responded with "a wink and a nod," as one analyst put it. The level and impact of all the Saudi funding were also difficult to discern. "We knew the outlines," explains Judith Yaphe, a senior Middle East analyst at the CIA until 1995. "But before 9/11, much of it had to be intuited. It was like the blind man examining the elephant."

There were other reasons. In much of official Washington, a growing movement of Third World religious zealots was just not taken seriously. For years after the fall of the Berlin Wall, those running U.S. intelligence were "Soviet people" still fighting the Cold War, says Pat Lang, who served as chief Middle East analyst for the Defense Intelligence Agency during the 1990s. "The jihadists were like men from Mars to them." Peter Probst, then a senior counterterrorism official at the Pentagon, agrees. "Any time you would raise these threats, people would laugh," he recalls. "They would say I was being totally paranoid."

The fact that the movement was based on Islam made it more difficult to discuss. "There was a fear that it was too sensitive, that you'd be accused of discrimination," Probst says. "It was political correctness run amok." Others say the message was subtle but clear. In the CIA, merely getting permission to prepare a report on a subject can require up to five levels of approval. On the subject of Saudi ties to terrorism, the word came back: There was simply no interest. The result, says a CIA veteran, was "a virtual embargo."

The FBI fared little better. By 1998, a sprawling investigation in Chicago into terrorist fundraising had led federal agents to \$1.2 million looted from a local chemical firm. The money, they suspected, had been sent to Hamas. The G-men found the source of the cash curious: a Saudi charity, the IIRO,

which had funneled the money through the Saudi Embassy. Senior Justice Department officials expressed concerns about "national security," and the case, eventually, was dropped. "Did someone say to me we can't do this because it would offend the Saudis? No," says Mark Flessner, a prosecutor on the case. "But was that always an undertone? Yes. Was that a huge issue? Yes."

It didn't hurt that the Saudis had spread money around Washington by the millions. Vast sums from Saudi contracts have bought friends and influence here. In his recent book *Sleeping With the Devil: How Washington Sold Our Soul for Saudi Crude*, former CIA operative Bob Baer calls it "Washington's 401(k) Plan." "The Saudis put out the message," Baer wrote. "You play the game--keep your mouth shut about the kingdom--and we'll take care of you." The list of beneficiaries is impressive: former cabinet secretaries, ambassadors, and CIA station chiefs. Washington lobbyists, P.R. firms, and lawyers have also supped at the Saudi table, as have nonprofits from the Kennedy Center to presidential libraries. The high-flying Carlyle Group has made fortunes doing deals with the Saudis. Among Carlyle's top advisers have been former President George H.W. Bush; James Baker, his secretary of state; and Frank Carlucci, a former secretary of defense. If that wasn't enough, there was the staggering amount of Saudi investment in America--as much as \$600 billion in U.S. banks and stock markets.

That kind of clout may help explain why the House of Saud could be so dismissive of American concerns on terrorism. Official inquiries about bin Laden went unanswered by Riyadh. When Hezbollah terrorists killed 19 U.S. troops with a massive truck bomb at Khobar Towers in Dhahran in 1996, Saudi officials stonewalled, then shut the FBI out of the investigation. So sensitive were relations that the CIA instructed officials at its Riyadh station not to collect intelligence on Islamic extremists--even after the bombing--for fear of upsetting their host, former officers tell U.S. News.

Payoffs. The attacks on the U.S. embassies in Kenya and Tanzania in August 1998 changed all that. Within weeks, the NSC formed its task force on terrorist finances, drawing in members from the Treasury Department and the CIA's Illicit Transactions Group. (The ITG was later absorbed into the agency's Counterterrorism Center.) In the movies, U.S. intelligence often seems capable of extraordinary feats. In the real world, alas, Washington's reach is all too limited. Officials on the task force were quickly sobered by the handful of people they found with true expertise on the Middle East. Those knowledgeable about terrorist financing numbered even fewer. So limited was the CIA's knowledge that it began using al Qaeda's real name only that year--10 years after bin Laden founded the organization. Even less was known about al Qaeda's fellow jihadists around the globe. Its top ally in Southeast Asia, Jemmah Islamiya, was not targeted until after 9/11, according to an Australian intelligence report.

Other challenges loomed. The Islamic world has always been a difficult target for Western intelligence services, and terrorist cells are among the toughest to penetrate. Following criminal money is also a tortuous task. Drawing a bead on al Qaeda combined all three challenges. The NSC task force tried to formulate what staffers called "a theory of the case." Their first questions were simple: What did it cost to be bin Laden? How much did it take to fund al Qaeda?

Terrorist acts, even the so-called spectaculars like 9/11, are relatively cheap to carry out. But the more the task force studied al Qaeda, the bigger its budget appeared. With its training camps and operations, and payments to the Taliban and to other terror groups, the amount was surely in the millions, task-force members surmised. After finding that bin Laden's inherited wealth was largely gone and his Sudanese businesses failing, the question was, where did the money come from? The answer, they eventually concluded, was Saudi charities and private donors.

The charities, by 1999, were integrated even further into the jihadist movement. In India, police detained Sayed Abu Nasir, a longtime IIRO staffer, for plotting to bomb U.S. consulates. Nasir confessed that the organization was secretly supporting dozens of jihadist training camps in Pakistan and Afghanistan. Equally striking was the al Haramain Foundation, one of Saudi Arabia's largest, which dispensed \$50 million a year through some 50 offices worldwide. U.S. officials would eventually conclude that its branches in at least 10 countries were providing arms or cash to terrorists, including those in Indonesia, Pakistan, and Somalia. In Southeast Asia, al Haramain was acting as a key source of funds for al Qaeda; in Chechnya, Russian officials suspected it of moving \$1 million to the rebels and arranging the purchase of 500 "heavy weapons" from the Taliban.

There was more. In the Middle East, the CIA learned, Saudi donations were funding as much as half of Hamas's budget and paying off the families of suicide bombers. In Pakistan, so much Saudi money poured in that a mid-level Pakistani jihadist could make seven times the country's average wage. Jihad had become a global industry, bankrolled by the Saudis. Daniel Benjamin, the NSC's counterterrorism director, knew that Palestinian terror groups had used local charities, but that was nothing like what the Saudis had wrought. "The structure was not astonishing," Benjamin says. "The ambition and scale were."

This time something would be done. The NSC staff approached Vice President Al Gore, who told the Saudis that Washington wanted a meeting with their top security and banking officials. In June 1999, the NSC's William Wechsler, Treasury's Richard Newcomb, and others on the task force flew to Riyadh. They were met by a half-dozen senior Saudi officials, all dressed in flowing white robes and checkered kaffiyehs. "We laid everything out--what we knew, what we thought," said one official. "We told them we'd just had two of our embassies blown up and that we needed to deal with them in a different way."

Deep freeze. Two things soon became clear. The first was that the Saudis had virtually no financial regulatory system and zero oversight of their charities. The second was that Saudi police and bank regulators had never worked together before and didn't particularly want to start. Those were problems, but the Americans made it clear they meant business. If the Saudis didn't crack down, Newcomb explained, Treasury officials had the ability to freeze assets of groups and individuals who supported terrorists. That struck a nerve. The mention of wealthy Saudis prompted lots of nervous chatter among the Saudis. But on some points, the Saudis seemed genuinely puzzled. Some stressed that jihad struggles in certain regions, such as Israel and Chechnya, were legitimate. Still, the Saudis agreed they may have a problem. Changes, they said, would be made.

But none were. A second visit by a U.S. delegation, in January 2000, elicited much the same reaction. Worse, the team was getting the same treatment back home. Frustrated with Riyadh, Newcomb's Office of Foreign Assets Control at Treasury began submitting the names of Saudi charities and businessmen for sanctions. But imposing sanctions required approval from an interagency committee, and that never came. CIA and FBI officials were lukewarm to the idea, worried that sanctions would chill what little cooperation they had with their Saudi counterparts. But it was the State Department that objected most strenuously. "The State Department," recalls one official, "always thought we had much bigger fish to fry."

Not everyone in Foggy Bottom agreed. In the fall of 1999, Michael Sheehan, State's tough-minded coordinator for counterterrorism, had seen intelligence on the Islamic charities and was appalled. As part of a still-classified report, he wrote a cable instructing U.S. ambassadors to insist that host governments crack down on the groups. But some at State argued that the charities were doing important work and fought to kill Sheehan's initiative. The cable was deep-sixed.

Underlying the reluctance to confront the Saudis was a more fundamental failure--Washington's inability to recognize the strategic danger posed by the growing jihad movement, of which al Qaeda is but the head. The U.S. government, in effect, largely missed the gravest ideological threat to national security since the end of the Cold War. "There were people who got it at the analyst level, at the supervisory level, but all of us were outnumbered," says Pat Lang, the former Pentagon analyst. "You just couldn't get people to take seriously the world of Islam and the threat it represented."

Consider the work of the National Intelligence Council, which is tied closely to the CIA and reports directly to its director. In 1999, the NIC brought together experts from across America to identify global trends--key drivers, they called them--that would affect the world over the next 15 years. A senior intelligence official, the anonymous author of Through Our Enemies' Eyes, which chronicles the rise of al Qaeda, described to U.S. News how he perused the NIC draft report and was shocked to see that Islamic fundamentalism was not listed among the key drivers. The analyst sent a note to the NIC chief, stressing that there were nearly a dozen Islamic insurgencies around the world, knitted together by Saudi money, al Qaeda, and thousands of Afghan veterans. The response: "I got a Christmas card back with a note hoping my family was well," the man recalls. The NIC's final report, Global Trends 2015, barely mentioned radicalism in the Islamic world. The NIC's vice chairman, Ellen Laipson, later wrote that their report "shied away" from the issue because it "might be considered insensitive and

unintentionally generate ill will."

The lack of vision extended to the incoming Bush administration, say counterterrorism officials. Early in the Bush term, they say, Treasury Secretary Paul O'Neill moved to kill a proposed terrorist asset-tracking center that the NSC task force had pushed.

The 19 hijackers, of course, obliterated any lingering concerns about sensitivity and Saudi ill will. Over the next year, police raided the offices of Saudi-backed charities in a half-dozen countries. The Treasury Department ordered the assets of many of them frozen, including those of al Haramain branches in Bosnia and Somalia. At the Saudi High Commission in Bosnia, which coordinated local aid among Saudi charities, police found before-and-after photos of the World Trade Center, files on pesticides and crop dusters, and information on how to counterfeit State Department badges. At Manila's international airport, authorities stopped Agus Dwikarna, an al Haramain representative based in Indonesia. In his suitcase were C4 explosives.

Outside Washington, federal agents raided offices of the IIRO and Muslim World League, along with over a hundred other Islamic groups, nearly all based--at least on paper--in two buildings in the Virginia suburbs. Many share directors, office space, and cash flow. For two years, investigators have followed the money to offshore trusts and obscure charities which, according to court records, they believe are tied to Hamas, al Qaeda, and other terrorist groups. To date, no groups have been indicted. "You can't trace a cent to any terrorist," says attorney Nancy Luque, whose clients include several of the firms.

The big Saudi charities, for their part, also deny wrongdoing. The Muslim World League, al Haramain, and the IIRO all declined to answer questions from U.S. News, but IIRO Secretary General Adnan Basha told the Arab press that "there is not a single shred of evidence" tying the group to terrorists. Says al Haramain director Sheik Aqil al-Aqil: "We set up this institution to preach Islam peacefully. It's very strange that we are described as terrorist."

But as more evidence has become public, Saudi officials have finally admitted that something is indeed seriously wrong. In June of this year, they promised reforms. Charities would be audited, officials in Riyadh vowed, their overseas activities curtailed. The ubiquitous zakat boxes have been banned. Saudi officials liken the situation to U.S. funding of the Irish Republican Army. During the 1970s and '80s, IRA activists raised millions of dollars from Irish-Americans, despite British pleas that the funds were backing IRA terrorism. "The Saudis are not diligent donors," says Chas. Freeman, a former ambassador to Riyadh whose Middle East Policy Council receives Saudi funds. "They've never asked us what we're doing with their money." The Saudis' record, Freeman says, is not one of complicity but of "negligence and incompetence."

Getting serious. Not everyone, obviously, agrees. A \$1 trillion lawsuit names Saudi princes, businessmen, and charities for funding the terrorists behind the 9/11 attacks. Brought by more than 900 victims' family members, the suit is winding its way through the U.S. courts. The withholding of 27 pages in Congress's 9/11 report last June--detailing Saudi funding and ties to al Qaeda--has only fed suspicions. Counterterrorism officials also remain wary that the Saudis will make good on their pledges to reform. Only after triple suicide bombings struck Riyadh on May 12 did the regime get serious about cracking down, they say. Since then, the Saudis have arrested more than 200, broken up a dozen al Qaeda cells, and begun sharing intelligence as never before. "The Saudis didn't really get it," says Wechsler, the former NSC coordinator. "They didn't get it after the '98 embassy bombings, after the Cole bombing, after 9/11, after Bali. They got it after May 12."

That remains to be seen. This year Saudi officials announced the closing of all of al Haramain's offices overseas. That came as news to its director, al-Aqil, who in July told Reuters that he was still running branches in Egypt, Yemen, Sudan, Mauritania, Nigeria, and Bangladesh. Al-Aqil, say Saudi officials, is now under investigation for fraud. In Pakistan, meanwhile, President Pervez Musharraf has twice asked Riyadh to curtail the millions of Saudi dollars that pour into local Islamic political parties, jihad groups, and religious schools. Again, the Saudis have promised change, but Pakistani officials are skeptical. They point to the visit to Mecca last month by the chief of the Jamiat-e-Ulema Islam, one of Pakistan's top Islamic parties. The JUI shares power in Pakistan's Northwest Territory, where it provides sanctuary for Taliban members staging attacks in Afghanistan. Why was JUI's boss in Mecca?

For fundraising, JUI sources told U.S. News.

The bigger test for the Saudis will be reform of their society. The hijacking of their charities by the jihad movement occurred because of support by the Saudi fundamentalist religious establishment. That won't be easy to change. Since May 12, officials in Riyadh say, they have purged some 2,000 radical clerics from their mosques and ordered the jihadist rhetoric turned way down. But bringing Wahhabism into the 21st century won't be easy. "We need time," says Abdullah Alotaibi, a political scientist at King Saud University in Riyadh. "You can't change 70 years of history overnight."

With Monica Ekman and Aamir Latif in Karachi

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The Wall Street Journal
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Tuesday, January 13, 2004

Politics & Policy

Saudi Charity Worried French in '94

Paris Told Arab Rulers Philanthropic Arm Aided Extremists Linked to Terror
By Glenn R. Simpson in Washington and John Carreyrou in Paris

A FORMER INTERIOR minister of France said he warned the top rulers of Saudi Arabia in 1994 that their country's charitable arm was funding Islamic extremists suspected of involvement in terrorism. The meetings a decade ago show that the French government had intelligence about the connection between Saudi charities and terrorism far sooner than previously known, around the same time U.S. intelligence officials became aware of the problem. Then-Interior Minister Charles Pasqua said in a recent interview that on a trip to Riyadh in November 1994 he met with Saudi King Fand, Crown Prince Abdullah, Interior Minister Prince Nayef and then-intelligence chief Prince Turki, asking each to prevent the government-funded Muslim World League from further supporting extremists in France.

But until the investigation into the Sept. 11, 2001, attacks, when the charity-terror link became widely known, the Saudis did little to stop the flow of charitable funds to terrorism, in part because the U.S. and Europe didn't apply concerted pressure. While attacks by Algerian radicals had sensitized France, the U.S. took a more benign view, Mr. Pasqua said.

U.S. officials "were well aware of our findings via our regular exchanges of intelligence," Mr. Pasqua said. "I was surprised by the blindness of the Americans at the time." He added: "At the time, I told the Germans and the British about our concerns with regard to these charities, but they didn't really act on them. They didn't take us that seriously."

The French-Saudi discussions raise more questions about the Saudi government's awareness of the problem. Saudi representatives say their lack of action before the 2001 attacks is attributable in part to the many mixed signals the regime received from countries including the U.S., which in the 1980s promoted the funding of Islamic groups as a bulwark against the Soviet Union and some of its supporters. There also have been periodic reports of European governments refusing to act against Islamic activists in their countries whom the Saudis identified as dangerous radicals.

Mr. Pasqua disclosed his warning to the Saudis in a recent statement to lawyers for families of Sept. 11 victims who are suing Saudi banks, charities and other entities for allegedly failing to do enough against terrorism, and confirmed the talks in the interview.

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"I asked that they be careful and that these government subsidies be stopped, in particular those that went to the Muslim World League," he said. Groups in Europe receiving the funds "weren't necessarily terrorist groups, but everyone knew that it was among these fundamentalist movements that the terrorists were recruited."

The issue of Saudi funding for Islam has long been ambiguous, even within France, said Jonathan Laurence, a scholar specializing in Islam and France at Harvard University. It isn't that the French government doesn't want Saudi Arabia's money, he said, but that it wants to control how it is spent. "The Saudi money remains useful to the French government for financing prayer space and the salaries of imams," he said.

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Word Count: 543

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